



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 16, 2001

H.R. 1954 **ILSA Extension Act of 2001**

As ordered reported by the House Committee on Ways and Means on July 12, 2001

H.R. 1954 would extend the authorities of the Iran and Libya Sanctions Act (ILSA) of 1996 for an additional five years through 2006. The bill would require the President to report to the Congress on the effectiveness of actions taken under ILSA within 18 months after enactment, and it would provide for the early termination of that act at any time after submission of the report. CBO estimates that implementing H.R. 1954 would not significantly affect discretionary spending. The bill would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

Based on information from the Department of State, CBO estimates that preparing the required report would increase the department's spending by less than \$500,000, assuming the availability of appropriated funds.

By extending the Iran and Libya Sanctions Act, H.R. 1954 could impose a private-sector mandate as defined by the Unfunded Mandates Reform Act (UMRA). The President would be required to impose certain sanctions on U.S. entities or foreign companies that invest over a specific amount of money in developing the petroleum and natural gas resources of Iran or Libya. Among the sanctions available under the act, the President could impose certain restrictions on U.S. offices of a sanctioned company or on entities and financial institutions engaged in business transactions with a sanctioned entity. The act does, however, allow the President the discretion to make exceptions in applying such sanctions. Since passage of ILSA, no such sanctions have been imposed. Consequently, CBO expects that sanctions are unlikely to be imposed under H.R. 1954 and that the direct cost of the mandate would fall below the annual threshold established by UMRA for private-sector mandates (\$113 million in 2001, adjusted annually for inflation).

H.R. 1954 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

On June 21, 2001, CBO prepared an estimate for H.R. 1954 as ordered reported by the House Committee on International Relations. That version of the bill would lower the threshold of investments in Libya that could trigger sanctions under ILSA from \$40 million to \$20 million and would revise the definition of investment to include any amendment or modification of existing contracts that would exceed the threshold amount. CBO estimated that implementing that version of H.R. 1954 would not significantly affect discretionary spending and that the cost of the private-sector mandate in that version of the bill would fall below the annual threshold established by UMRA.

The CBO staff contact for federal costs is Joseph C. Whitehill. The CBO staff contact for private-sector mandates is Paige Piper/Bach. This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.